



TITLE:

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THE TRADE OF SECOND-HAND CLOTHES IN THE LOCAL MEGA CITY MWANZA, TANZANIA: WITH SPECIAL REFERENCE TO THE SOCIAL NETWORKS OF *MALI KAULI* TRANSACTION

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ABSTRACT The purpose of this study is to examine the social relationships of people in a small-scale commercial sector called *Machinga* by analyzing the unique credit transaction in the trade of second-hand clothes in Mwanza city. The credit transaction described in this presentation is called *Mali kauli* and is conducted by middlemen and micro-scale retail traders. Previous studies of the urban informal sector argued that credit transactions tend to be conducted by closed groups based on kinship and ethnicity. However, the *Mali Kauli* transaction is basically formed of purely business relationships and economic rationality rather than relationships originating in rural society. *Mali Kauli* transaction brings a lot of economic benefits to both middlemen and retailers. On the other hand, this practice has potential for friction because it creates business transactions among people with unreliable relationships. In conclusion, I suggest that the newly-created urban group solidarities such as *Machinga* generated through *Mali Kauli* transaction to attain stable transaction, satisfy economic interest, and promote reciprocal help in urban areas.

Key Words: Urban social network; Group solidarity; Informal sector; Second hand clothes; Credit transaction.

INTRODUCTION

The economic liberalization in 1986 brought a rapid influx of second-hand clothes to Tanzania. Second-hand clothes opened new economic opportunities and vitalized the small-scale commercial sector called *Machinga*. The numbers of *Machinga* are increasing at a tremendous rate. For example, Ngware (2000) reported that the numbers of *Machinga* in Dar es Salaam were estimated to be 85,000 people in 1995.

The purpose of this study is to examine the social networks of the unique transaction called *Mali Kauli*, in the trade of second-hand clothes in Mwanza. The *Mali Kauli* transaction discussed in this paper is a unique credit transaction conducted by middlemen and small-scale retailers. This transaction brings a lot of economic benefits to both kinds of merchants. However, this transaction is sustained not only by economic benefits but also by the urban solidarity of being of the same social group as *Machinga*. Despite their economic priority and their roles as patrons, the middlemen try to build “horizontal and personal relationships” with the retailers.

The numerous studies of urban social networks of the informal sector focus on the ethnic networks or rural community memberships in the city. They insist that the

urban informal sector tends to be made up of closed groups of relatives, people of the same origin and ethnic groups, and that these group memberships give reciprocal help in their urban livelihood and in doing business cooperatively. On the other hand, some studies point out that the successful informal sectors tend to fall into a dilemma between maintaining relationships with relatives and rural community members, those who ask the successful informal sector for economic assistance, and modern economic rationality. And many successful informal sectors cannot achieve effective capital investment and expansion of their business because they cannot reject requests for assistance (Marris & Somerset, 1971; Binefeld, 1975; Hart, 1975). Some studies argued that the successful informal sector should abandon “affection” of these group memberships and create modern business relationships if they wish to expand their business (Hyden, 1983).

However, previous studies paid little attention to the creativity of the informal sector. The social networks discussed in this study are new urban social networks created through interaction in economic activities to satisfy both economic needs and “affection”. The middlemen and retailers begin the *Mali Kauli* transaction with purely business interest and their own economic rationality, aimed at maximizing economic benefit. Through the same economic activity, they also create new urban solidarity. In this paper, I will make clear how the traders conduct economic activities to satisfy both profits and “affection” by creating new urban solidarity.

I conducted research through participant observation for about 10 months from September 2001 to June 2002 in Mwanza city, the provincial capital near Lake Victoria in western Tanzania (Fig. 1).

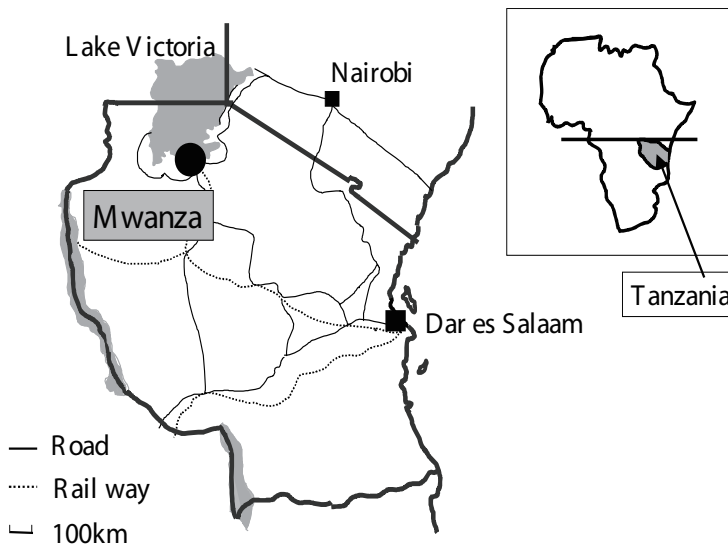


Fig. 1. Location of Mwanza City

THE TRADE OF SECOND-HAND CLOTHES IN MWANZA

I. The Merchants of Second-Hand Clothes in Mwanza

The merchants who entered the trade of second-hand clothes in Mwanza can be categorized into three: wholesalers, middlemen and retailers. The second-hand clothes inflow by these traders is shown in Fig. 2. Wholesalers are defined as those who import the bales from international recycle agencies and sell them to middlemen. The second-hand clothes are gathered from general households by charity organizations and volunteer associations and then transferred to recycle agencies. Recycle agencies classify the second-hand clothes by the kinds of item and wrap these items in vinyl sheeting and iron bands. The blocks of clothes wrapped with vinyl sheeting are called bales (Table 1). Wholesalers import these bales and sell them to middlemen in their shops.

Middlemen are defined as those who purchase bales from wholesalers and sell them item by item to retailers. In *Unguja* area, there is *Mlango Mmoja* permanent market, where 350 stalls of second-hand clothes are established. Most middlemen open the bales and resell them to retailers in this market.

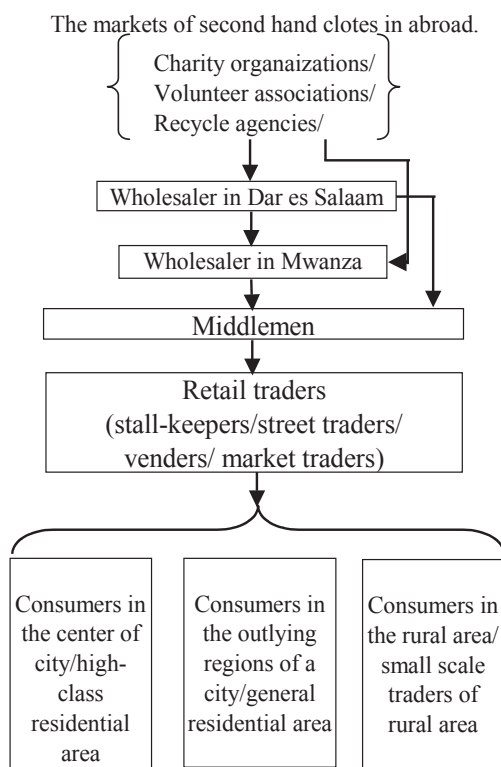


Fig. 2. The Flow of Second-Hand Clothes in Mwanza

Table 1. The Kinds of Bales and Price of a Bale

The kinds of clothes (English)	The kinds of clothes (Swahili Language)	Pagination	Price of bale(Ths.)
Men's shirt	Shati ya kiume	200	100.000-120.000
Men's cola T-shirt	T-shati ya kiume	200	90.000-110.000
Men's round T-shirt	T-shati raundi	200	70.000-
Men's zipper jacket	Jaketi	100-120	65.000-
Coat/Suit jacket	Coati	60	45.000-
Men's cotton trousers	Kadeti suruwari	100	80.000-
Men's woolen trousers	Kitambaa suruwari	100	85.000-
Men's jeans	Jinzi suruwari	100	80.000-105.000
Men's corduroy pants	Corudorai suruwari	100	80.000-
Men's slacks	Kurimpurin suruwari	150-200	55.000-60.000
Ladies cotton blouse	Kadeti brauzi	250-300	45.000-55.000
Ladies mixed blouse	Mixser brauzi	300-350	45.000-55.000
Ladies silk blouse	Siruki brauzi	300-350	45.000-55.000
Ladies cotton skirts	Kadeti sketi	120-200	40.000-
Ladies silk skirts	Siruki sketi	150-200	150.000-
Ladies cotton dress	Kadeti gauni	150-180	65.000-
Ladies mixed dress	Mixser gauni	100-300	55.000-
Swimming clothes	Suwimingu	350	55.000-
Trunks/Track suit	Bukta	250	50.000-
Spats	Sukintaito	250-300	50.000-
Short pants	Pensi mkubwa	180	55.000-
Nightdress	Night dress	800	65.000-
Brassiere	Brazia	1000	180.000-
Mixed children clothes	Mixser watoto	350-400	75.000-
Children's bomber jacket	Jaketi watoto	300	65.000-
Boy's jeans	Jinzi watoto	80-100	55.000-
Boy's short pants	Pensi watoto	350-400	85.000-
Socks	Soksi	1000	Variable
Bedsheet	Shuka	300	Variable
Curtain	Pazia	500	Variable
Handbag	Mikoba yakike	200	Variable
Baggage	Mikoba	150	Variable

Retailers are defined as those who purchase the second-hand clothes from middlemen and sell them to consumers. Retailers can be sub-classified into stall-keepers, small-street traders, vendors and rural market traders.

In Mwanza, there are 18 wholesale shops. The managers and the employees of these shops are estimated to be about 30 persons. Middlemen are estimated to be about 200 persons and retailers are estimated to be about 6,000 people. Most wholesalers are Indian traders while other trades are dominated by Africans.

II. The Process of *Mali Kauli* Transaction

There are two types of transactions between middlemen and retailers: cash transaction and *Mali kauli* transaction (a kind of credit transaction). About 80% of middlemen interviewed in my research conducted *Mali kauli* transaction. According to this result, *Mali kauli* transaction can be regarded as the main transaction between middlemen and retailers. In *Mali kauli* transaction, a middleman deals with an average of 20 retailers. A middleman sells clothes to retailers on credit without collateral, and allows them to return the unsold clothes, and renegotiate the “basic price.”

The *Mali kauli* transaction is accomplished as described below. Most middlemen purchase an average of 7 bales from wholesalers twice a week. On the morning of the 1st day, a middleman opens his bales and classifies the second-hand clothes into three grades (A, B and C), according to the quality and fashion of each item. In this case, grade C is not sold but saved until the 3rd day. After the middleman finishes the classification, retailers inform the middleman of their grade of choice. Then, the middleman determines the “choosing turn” of the retailers requesting the same grade. Retailers choose their clothes according to their “choosing turn”. For example, the first retailer of grade A chooses 50 clothes, then the second retailer of grade A chooses 30 clothes, and then the third retailer follows him, followed by the fourth, fifth and so on. Finally, the middleman and each retailer negotiate the “basic price” per item.

During the daytime of the 1st day, the retailers start selling the clothes. They try to earn their share by selling each item above the “basic price”. On the evening of the 1st day, the retailers would return to the middlemen with the money obtained from the sale. At this time, the retailers can return unsold clothes or renegotiate the “basic price”. Usually the middlemen would reduce the “basic price.” On the 2nd and 3rd days, the middlemen and the retailers repeat these processes.

Most middlemen purchase the bales on Mondays and Thursdays. Fig. 3 shows the cycle of selling the bales purchased on Monday. From Monday to Wednesday, the middlemen mobilize all retail traders of grade A and B to sell as many clothes as possible by decreasing the basic price of each item. Usually, the middlemen obtain

	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun.
Grade A	1500	1300	1000				
	1300	1200	800				
Grade B	1000	800	600				
	800	600					
Grade C	500	500	500	500	400		
	250	250	250	250	250	250	100

Fig. 3. Example of Change of Purchase Price (Tsh; US\$1 = Tsh 9.74)

enough profit to purchase bales until Thursday. And then, they mix the unsold items of grade A and B with clothes of grade C, which were saved from Monday. In other words, all of the unsold clothes become grade C on Wednesday.

On Thursday, grade C are sent to some rural markets. The rural market traders go to do business with the goal of selling everything. They will sell everything grade C at greatly reduced price to the small traders in the rural markets.

THE SOCIAL NETWORKS OF *MALI KAULI* TRANSACTION

I. How *Mali Kauli* Transaction Is Initiated

Usually, a *Mali Kauli* transaction is initiated by a request for assistance by a retailer, who claims to have no capital. When retailers propose *Mali Kauli* transaction to middlemen, they insist that the middlemen ("the rich") should assist retailers ("the poor"). And they also insist that both the middlemen and the retailers are fellow *Machinga*, who should help each other. *Machinga* can be defined as street traders. From these remarks, it can be said that *Mali Kauli* transaction is created on claims of assistance from the retailers.

Of course, the retailers propose *Mali Kauli* transaction to the middlemen because it has many benefits to the retailers. First, they can begin business without any initial capital. Some retailers used to have some capital at the beginning of their business, but most retailers cannot save their capital. *Mali kauli* transaction provides economic opportunities to those retailers without capital. This is why urban dwellers easily become merchants of second-hand clothes. Second, they can return unsold clothes that failed to match the consumers' preferences. They can't choose good clothes all the time; sometimes they may be given clothes with stains. If they buy clothes for cash, they have to spend many days selling those clothes. However, in *Mali kauli* transaction, they can shift their business risks to the middlemen. Third, they can renegotiate the "basic price" on the following day if the original price was too high. These benefits allow retailers to minimize their business risks and conduct stable economic activities. Then, why do the middlemen accept the retailers' *Mali kauli* transaction proposals? In fact, the middlemen do not respond to every request.

II. The Social Relationships between Middlemen and Retailers

A total 207 cases of such relationships between middlemen and retailers have been studied. Previous studies argued that credit relationships are often built based on closed groups consisting of relatives and people coming from the same districts or same ethnic groups (Epstein, 1958, 1981; O'Conner, 1983; Macharia, 1997). This is because close group memberships enable people to give reciprocal help in the city. However, in the case of *Mali Kauli* transaction,

new relationships created in the city through economic activities account for 80% of the relationships. Thus, it is clear that the middlemen do not select the retailers for their social attributes.

The middlemen's criterion for selecting retailers is the bargaining technique of the retail business called *Ujanja*. The middlemen deem retailers who are *Ujanja* appropriate to *Mali Kauli* transaction because they can sell many clothes by using their high bargaining technique. *Ujanja* is defined in a Swahili dictionary as "cunning" "slyness." But in practical usage, it seems to have various meanings. For example, the retailers stated, "*Ujanja* is the only skill for us to survive urban life because we don't have any educational background, skills or capital". The middlemen regard the retailer's "cunning" as an indispensable skill for negotiating with the consumers in the retail business. In short, the middlemen select the retailers for their own economic reasons.

It is shown that the middlemen also consider at least two business advantages when beginning *Mali Kauli* transaction. First, they can attract many excellent retailers, including those who are without capital, and mobilize them to distribute the clothes rapidly and effectively. The middlemen are aware of the fact that there are very few retail traders who have enough capital to buy clothes for cash in Tanzania. Second, they can effectively allocate items of various grades among the retailers in exchange for credit. The second point becomes clear by contrast with a cash transaction, where retailers are free to select the grade they want and some grades remain unsold.

So far, we have seen that a *Mali Kauli* transaction brings a lot of economic benefits to both middlemen and retailers. However, *Mali Kauli* transaction also has a potential for friction between the middlemen and the retailers, because *Mali Kauli* transaction is based on unreliable urban relationships. The background to sustaining *Mali Kauli* transaction in spite of such friction cannot be explained only by economic benefit. Therefore, I will analyze how potential friction is caused and how newly urban group solidarity is created through *Mali Kauli* transaction.

THE CONSCIOUSNESS OF SAME SOCIAL GROUPS AS MACHINGA

I. The Potential Friction of *Mali Kauli* Transaction

Table 2 shows an example of business ability by a retailer who is considered to be *Ujanja*. Sometimes some retailers change the retail prices. It should be noted since retailers sometimes sell clothes below the "basic price," like No. 9 and No. 11. If the retailers sell clothes below the "basic price," they have to pay the pre-established price to the middlemen. This means that the retailers sell the clothes for the middlemen even if they cannot get any profit. Retailers No. 3 and No. 7 sold clothes on credit. In Mwanza, many customers don't have enough money to buy clothes. Thus, if retailers cannot sell clothes on

Table 2. Examples of the Ability of Business of a Retailer

	Client	Purchase price	Retail price	Net profit	Credit
1	Panel beater	1500	1800	300	
2	Indian merchants	1500	2500	1000	
3	Banker	1500	2500	1000	500
4	General dealer	1500	1800	300	
5	Gee man for bus	1500	1800	300	
6	Small trader of candy	1500	1500	0	
7	Arab	1500	2000	500	500
8	Owner of pharmacy	1500	2000	500	
9	Vendor of foods	1500	1300	-200	
10	Male passenger	1500	1800	300	
11	Bus passenger	1500	1300	-200	

Result of the business on 22/12/2001
(US\$1 = Tsh 9.74)

credit, they can't sell many clothes. However, customers often delay or avoid paying the credit. Therefore, the retailers who can judge whether customers are reliable persons for credit are regarded as *Ujanja* retailers. In sum, the *Ujanja* retailers can be regarded as those who can sell many clothes for the middlemen by considering the balance between profit and risk to themselves and profit of the middlemen. It is very important that retailers recognize that they help to promote the middlemen's business by selling many clothes.

On the other hand, the middlemen also recognize that they assist the retailers through the *Mali Kauli* transaction. Fig. 4 shows the income of a retailer per day. This retailer needs at least Tsh 1,580 per day to make a living. If this figure is regarded as the minimum cost of living, this trader could not get enough profit from his retail business on 26 days. However, on these 26 days, this trader was given financial support by the middleman for 19 days. Furthermore this trader got into debt to the middleman on the other days. This trader could sustain a minimum level of living on all the days. He was given a financial reward by the middleman on those days he sold many clothes.

We have seen that both retailers and middlemen recognize that they help their partner. However, both may experience some friction as well. The middleman strives to achieve maximum profit by harnessing the ability of *Ujanja* retailers. Therefore, they tend to allocate the bad clothes to *Ujanja* retailers at a high price by delaying their "choosing turn" until the very last. The middleman considers that *Ujanja* retailers can sell any clothes by using their high bargaining technique. They are expected to accept bad clothes because the middleman assists them adequately. However, *Ujanja* retailers wish

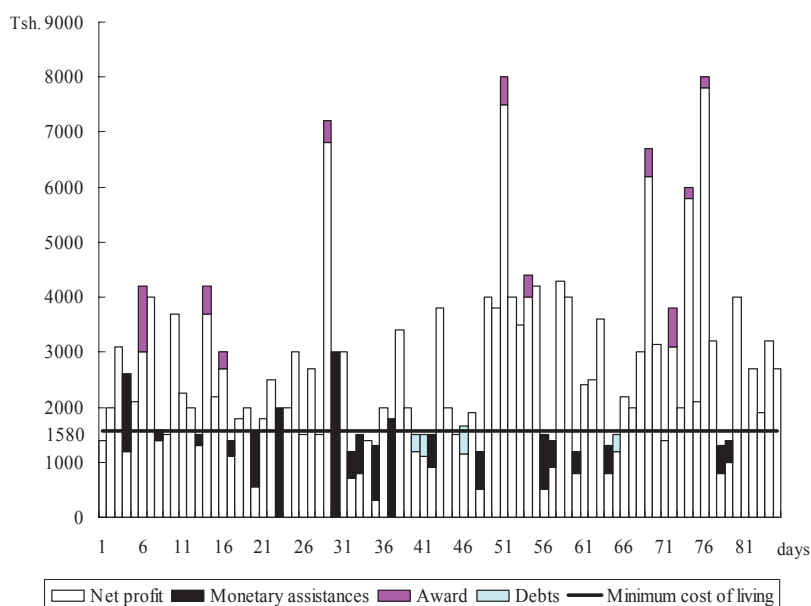


Fig. 4. Income of Retailer R (85 days)

to purchase good clothes at a cheaper price at an earlier “choosing turn” so that they could sell many clothes for themselves rather than for the middleman.

When the *Ujanja* retailers heap blame on the middleman, they would try to resist by sabotage, making excessive claims for financial support, and running away with clothes. These kinds of resistance bring heavy losses to the middlemen. The frequency of running away is very high. For example, 11 out of 19 retailers transacting with a middleman ran away with clothes during my research. However the middlemen don’t take measures against these kinds of resistance. Nor do they form alliances with other middlemen to avoid defaulting retailers. Furthermore, they cannot punish retailers because this would agitate other retailers to take similar measures. This suggests that the retailers have bargaining power. Although the middlemen have economic priorities and the role of patronage, the relationship between them and the retail traders is not a hierarchical one; rather a horizontal relationship.

II. The Newly Created Urban Solidarity

When viewed in the light of potential frictions, *Mali Kauli* transaction sounds an unstable transaction. However, what is interesting is that almost all the retailers who ran away came back and restarted transactions with the same middleman. Thus, their resistance may be regarded as a temporary bargaining strategy. Why do the retailers come back? Certainly, part of the reason is that *Mali Kauli* transaction brings many benefits to them. However, if retailers act

only for their economic benefit, it is not necessary to come back to the same middleman because they can request other middlemen to start a new transaction. Why do the middlemen forgive the retailers who defaulted? It is reported that the middlemen and retailers have a sense of fellowship as *Machinga* and they create new urban group solidarity through the *Mali Kauli* transaction. Both the middlemen and the retailers call each other *Machinga* and other urban dwellers also call them so. *Machinga* is defined as street traders. The term "*Machinga*" also includes the nuance of people who conduct disreputable business. In fact, they are exposed to the cold looks and harassment of the police. Although they are categorized as relatively rich middlemen and poor retailers, they have a sense of fellowship that they belong to the same social group to survive in the city. Based on this sense of fellowship, they create a new urban solidarity through the *Mali Kauli* transaction.

In the police roundup of *Machinga* on March 2002, many middlemen were arrested by the police because they were operating in unauthorized places. At that time, the retailers who avoided arrest created a group of transaction members. Some 16 out of 20 transacting with the same middleman helped their partners by raising funds for the bribe paid to the police. Furthermore, 4 retailers who did not pay for the bribe explained that they did not have enough money to pay because they had failed to do business at that time. None of the retailers chose to abandon their partners, rather they tried to help them.

CONCLUSION

Mali Kauli transaction brings many mutual benefits to the middlemen and the retailers. Through the *Mali Kauli* transaction, the middlemen form an extensive commercial network by taking many urban poor into the trade and create an effective system to distribute imported second-hand clothes. And this enables poor retailers to conduct a stable business and survive in the city. The basis for sustaining the unstable *Mali Kauli* transaction may be explained in relation to the new urban group solidarity of *Machinga* is generated. So, part of the social network of *Mali Kauli* transaction is created by the consciousness of being in the same social groups as *Machinga*. Part of the social network of *Mali Kauli* transaction is the sense of belonging to the *Machinga* social group or the formation of which is based on the principle of reciprocal help.

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